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Office of Inspector General



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RELEASE**

***NATIONAL OCEANIC AND
ATMOSPHERIC ADMINISTRATION***

***The NOAA Corps Transition Plan Should
Convert No More Than 170 Officers***

Report No. NAD-9087 / September 1997

Office of Audits, NOAA Audits Division



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Executive Summary

The Commissioned Corps of the National Oceanic and Atmospheric Administration has three primary functions: (1) operate and maintain NOAA's ships, (2) operate and maintain NOAA's aircraft, and (3) provide scientific and engineering support for the line offices, including temporary duties on hydrographic ships. These functions are currently carried out by 287 officers, with support from civil service personnel and wage mariners.

In January 1996, NOAA announced its intention to implement the National Performance Review recommendation to eliminate the Corps. Since that time, the Department, in consultation with NOAA, has been drafting legislation and a transition plan to implement the recommendation. We conducted an evaluation of the May 1997 legislative proposal and transition plan to determine whether they provide the most cost-effective means of accomplishing this objective.

These latest versions of the proposed legislation and transition plan are significant improvements over earlier drafts, and many of our initial concerns about such issues as retirement incentives and separation payments have been addressed. However, one important issue remains unresolved: the maximum number of officers that should be converted to civil service positions.

This issue can be resolved by incorporating the following recommendations into the transition plan for the NOAA Corps:

- ◆ **The NOAA Corps Transition Staffing Plan Should Convert No More Than 170 Officers to Permanent Civil Service Positions.** The May 1997 transition plan for the NOAA Corps proposes essentially a three-step process: (1) the 120 officers with at least 15 years of service will be involuntarily retired, (2) the 170 officers not eligible for retirement will be placed within 299 designated positions, and (3) any of the unfilled 299 positions considered essential will be filled by retired officers or other civil service personnel in the Department. We are concerned that the proposed last step will result in filling almost all of the 299 positions and locking into place the present organizational infrastructure. This approach would be inconsistent with recent Congressional direction related to outsourcing for ship-support services.

We recommend that NOAA implement the transition plan in the following manner: (1) retire all 120 officers with at least 15 years of service, (2) identify the 170 most critical positions in the line organizations and program support activities and fill as many of these as possible with non-retiring officers, (3) determine which of the 170 positions, such as piloting the hurricane research aircraft, cannot be filled immediately by non-retiring officers and (4) hire qualified temporary personnel for any position identified in the previous step until one of the non-

retiring officers can be trained for the position. This process will provide fair treatment for all officers, prevent any disruptions in essential services, and allow NOAA to increase its use of outsourcing options for improving ship-related and aircraft-related activities. (See page 7.)

The 170 permanent civil service positions should be allocated in the following manner:

- ◆ **The Number of Officer Conversions within NOAA's Line Offices Should Be Limited to 100 Positions.** Over the years, in order to accommodate the rotation policy of the Corps, officer positions have been created in NOAA's five line organizations: National Weather Service, National Ocean Service, National Marine Fisheries Service, Office of Oceanic and Atmospheric Research, and the National Environmental Satellite, Data, and Information Service. As recently as October 1991, when the NOAA Corps consisted of approximately 400 officers, there were only 161 line office positions. However, NOAA has now identified approximately 187 line office positions for possible conversion from uniformed to civil service positions, even though fewer than 300 officers are in the Corps.

Historically, approximately 40% of the funding for the officers assigned to NOAA's line organizations has come from ship-related appropriations even though the officers are not directly involved in ship-support activities. For example, in fiscal year 1996, almost \$5 million in "Marine Services" appropriations was used to pay the salaries and benefits of officers in non-ship assignments. We do not believe that funds should be diverted from ship-related appropriations to pay for personnel engaged in activities not directly associated with ships. If funds continue to be diverted after the transition, NOAA will have to reduce its use of ships for conducting marine research, surveying fishery stocks, and collecting data for nautical charts.

We recommend that NOAA limit the converted positions in NOAA's line organizations to 100 positions, which is the approximate number of positions that can be paid for from the line organizations' budgets without using funds from ship-support appropriations. (See page 14.)

- ◆ **The Number of Officer Conversions for Ship-Related and Aircraft-Related Activities Should Not Exceed 70 Positions.** Our office – along with the Administration, the Congress, the U.S. General Accounting Office, and departmental advisory groups – has repeatedly recommended that NOAA pursue outsourcing alternatives for its inhouse operations, particularly its ship-support activities. Our March 1996 report on the NOAA fleet confirmed that private-sector and academic vessels are available and can perform at least as well as NOAA's inhouse fleet. An OIG audit of NOAA's aircraft services has been initiated to determine whether outsourcing options can replace or supplement inhouse aircraft operations. Creating no more than 70 civil service positions for ship and aircraft services will ensure sufficient staffing to maintain essential inhouse services while providing an incentive to use more cost-effective outsourcing options for ships and aircraft.

We recommend that NOAA limit the converted positions for ship and aircraft support to no more than 70 positions. It is important to note that we believe the number of permanent positions needed for inhouse ships and aircraft can be reduced even further if NOAA aggressively pursues its outsourcing options. This development may result in many of these 70 positions being eliminated. (See page 20.)

On page 24, we make a number of recommendations to address our concerns. If properly implemented, our recommendations will allow fair treatment of all officers and also enable NOAA to acquire more cost-effective services.

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In responding to our draft report, NOAA officials disagreed with the conclusions and recommendations by stating that (1) our draft report did not provide sufficient analysis to justify the number of positions that we recommended for conversion, (2) NOAA has found no data to support the OIG premise that the private sector can provide suitable alternatives to the inhouse ships and aircraft, (3) NOAA's May 1997 proposal for converting 299 officer positions to civilian positions would not "lock in" the current organizational infrastructure, (4) it was appropriate for NOAA to continue using data acquisition funds to pay for non-ship positions in the line organizations, (5) implementation of the May 1997 transition plan would not divert funds from ship-related appropriations and reduce NOAA's incentive for exploring outsourcing alternatives, (6) the OIG's estimate of \$8.3 million per year in Funds to Be Put to Better Use was an "illusory" number because no "savings" would be realized, (7) the officer positions within the line organizations are not the result of the Corps' rotation policy, (8) the proposed 187 positions in the line organizations are essential for meeting NOAA's program needs, (9) the OIG's recommended process for converting non-retiring officers to civilian positions was not acceptable, and (10) NOAA has already taken a number of steps to reduce the cost of inhouse ship support and expand the use of outsourcing. In addition, NOAA officials emphasized that an "immediate deactivation of NOAA ships would have catastrophic results on the continuity of data collection activities critical to accomplishment of NOAA's mission." NOAA's complete response is attached to this report.

We discuss each of NOAA's concerns in the appropriate section of this report. In brief, we state that (1) our analysis is based on a thorough review of NOAA's financial data, (2) numerous organizations, not just our office, have provided NOAA with data to support the cost effectiveness and suitability of private-sector alternatives to an inhouse fleet, (3) converting almost 300 officer positions to inhouse civilian positions will result in maintaining the status quo instead of exploring innovative alternatives, (4) NOAA should discontinue using ship-related appropriations to fund positions in the line organizations, (5) the May 1997 transition plan will continue the diversion of almost \$5 million per year from ship-related appropriations to the line organizations, (6) the OIG's estimate of \$8.3 million per year in Funds to Be Put to Better Use

meets the criteria established by the President's Council on Integrity and Efficiency, (7) the Corps rotation policy contributes to the number of line-organization positions, (8) the line organizations have historically paid for approximately 100 officers, and this is the number of positions that should be converted, (9) the OIG's recommended process for converting non-retiring officers to civilian positions is currently the only alternative for maintaining staffing levels within appropriated budgets, and (10) NOAA should use the transition plan as a means to expand the use of cost-effective alternatives to an inhouse fleet. It is also important to note that in the OIG's 1996 review of NOAA's inhouse ships, we advocated a transition period for decommissioning (either deactivating or privatizing) the inhouse ships.

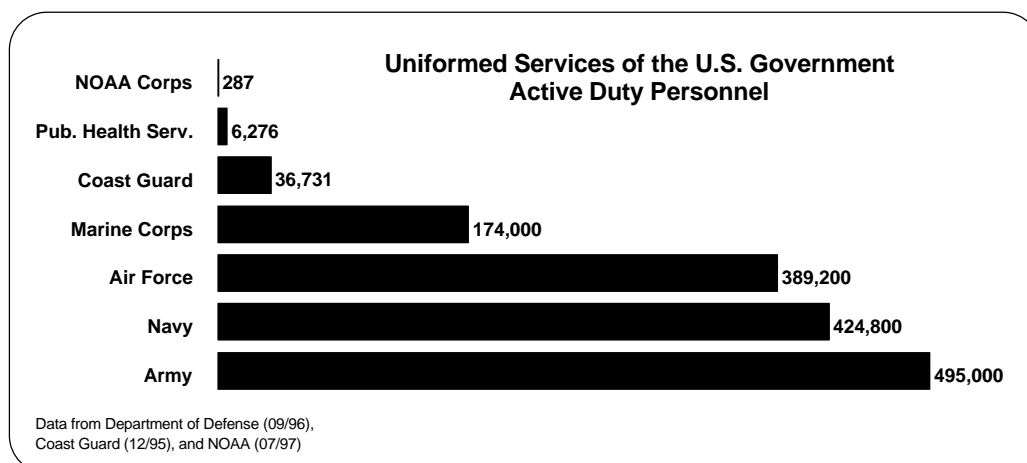
Introduction

Pursuant to the authority of the Inspector General Act of 1978, this evaluation was carried out as part of the Inspector General's mandate "to review existing and proposed legislation and regulations . . . and to make recommendations . . . concerning the impact of such legislation or regulations on the economy and efficiency in the administration of programs and operations." One of the main goals of an evaluation is to eliminate waste in government by encouraging effective, efficient, and economical operations. This evaluation was conducted in accordance with the *Quality Standards for Inspections* issued by the President's Council on Integrity and Efficiency.

Background

History of the Corps

The organization now referred to as the Commissioned Corps of the National Oceanic and Atmospheric Administration came into existence in 1970 when a number of federal science programs were joined to form NOAA. However, coastal surveys were first authorized by the U.S. government in 1807, and the organization doing the work was officially named the Coast Survey in 1836. Until the Civil War, the organization consisted of both civilians and active-duty officers from the Army and Navy. However, between the Civil War and World War I, the task of charting U.S. waterways and producing topographic maps of the nation's shorelines was performed almost entirely by civilians. In 1917, the Coast and Geodetic Survey Commissioned Corps became a U.S. uniformed service so that surveying personnel assigned to active-duty ships during armed conflicts would not be treated as civilian spies if captured. The Corps officers have not been used in military situations since World War II, and the Department of Defense has no plans to use them in the future.



The issue of whether the Corps needs to be a uniformed service was addressed in a U.S. General Accounting Office report, *Issues on the Need for NOAA's Commissioned Corps* (GGD-97-10), October 1996. The report concluded that the NOAA Corps does not meet the requirements for a military compensation system. In addition, the report noted that other federal agencies use civilian employees, not uniformed officers, to respond to disasters and other emergency situations and that both the Environmental Protection Agency and the Navy use ships operated by civilian employees or contractors in conducting their oceanic research.

Current Status of the Corps

The NOAA Corps has three primary functions: (1) operate and maintain NOAA's ships, (2) operate and maintain NOAA's aircraft, and (3) provide scientific and engineering support for the line offices, including temporary duties on hydrographic ships. Congressional appropriations for these functions totaled over \$82 million in fiscal year 1997:

Fisheries Data Acquisition	\$26.8 million
Hydrographic Data Acquisition	\$18.2 million
Oceanographic Data Acquisition	\$12.7 million
Fleet Modernization	\$ 8.0 million
Aircraft Services	\$10.0 million
Line Organizations' Payments for Uniformed Personnel	\$ 6.4 million

While NOAA has been drafting legislation and a transition plan to eliminate the Corps, both the Administration and the Congress have expressed an interest in the process and outcome. The Administration's 1995 Annual Report of the National Performance Review recommended that the Department of Commerce "reduce the current [NOAA] corps to 130 [full-time equivalent positions] and eventually eliminate it." This action followed a 1993 NPR recommendation to create public and private competition for the NOAA fleet.

The Congress has also expressed its intent regarding the fleet and the Corps. The fiscal year 1997 appropriations legislation eliminated the "Marine Services" appropriation. In its place, the Congress created a separate "Acquisition of Data" appropriation category in each of the three line offices that use NOAA's fleet. According to the conference report, the purpose of this Congressional action was to provide NOAA's line organizations with an incentive to make cost-benefit tradeoffs between using inhouse ships and private-sector vessels. In addition, the fiscal year 1997 Congressional appropriation for the Department of Commerce instructed the Department, in conjunction with NOAA, to provide a transition plan for converting the Corps officers to civil service employees.

Status of the Proposed Legislation and Transition Plan

NOAA first announced its intention to eliminate the Corps in a press release in January 1996:

“Acting on the recommendation of the President’s National Performance Review, the administrator of the National Oceanic and Atmospheric Administration has announced that the NOAA Corps, the agency’s commissioned service that helps carry out NOAA’s environmental mission, will begin its transition to civilian status beginning Oct. 1, 1996.”

The Corps proposed its own transition plan in late February 1996. The plan retained a Corps-like organization to centrally manage the ships and aircraft, established a separate personnel pool protected from competitive placements, proposed a Reserve Commission in a military service for all involuntarily separated officers, provided special employment protection for officers transferred to military services, asked for a long-term waiver of the Coast Guard’s deck officer license requirements, and asked that former Corps officers be given the status of military “veterans.”

However, NOAA officials did not accept the Corps’ plan. According to a July 1996 memorandum from the Under Secretary of NOAA, “it would not be possible for the Corps to develop a plan that assessed entitlement benefit issues and the steps necessary to eliminate the Corps in an impartial manner.” NOAA officials then established a second team, consisting of legal and personnel specialists from outside the Office of NOAA Corps Operations, to devise an alternative transition plan. In July 1996, the new team released its plan for comment by departmental officials. Since then, NOAA has worked with the Office of Management and Budget to resolve legal and administrative impediments. The latest version of the plan was sent to the Congress in May 1997.

The plan, along with the implementing legislative proposal,

- Allows NOAA to create up to 299 civil service positions to accommodate the conversion process. According to the plan, the “total number of positions created . . . would not exceed the civilian equivalent of the authorized size [299] of the NOAA Corps as of the date of disestablishment.”
- Offers incentives to officers with less than 15 years of service to convert to civil service positions. NOAA estimates that approximately 170 officers will be eligible, and a conversion payment will be made to these officers who remain in NOAA for at least six months.
- Retires all officers with 15 or more years of service. NOAA estimates that approximately 120 officers will be eligible. However, these officers will be allowed to compete for certain

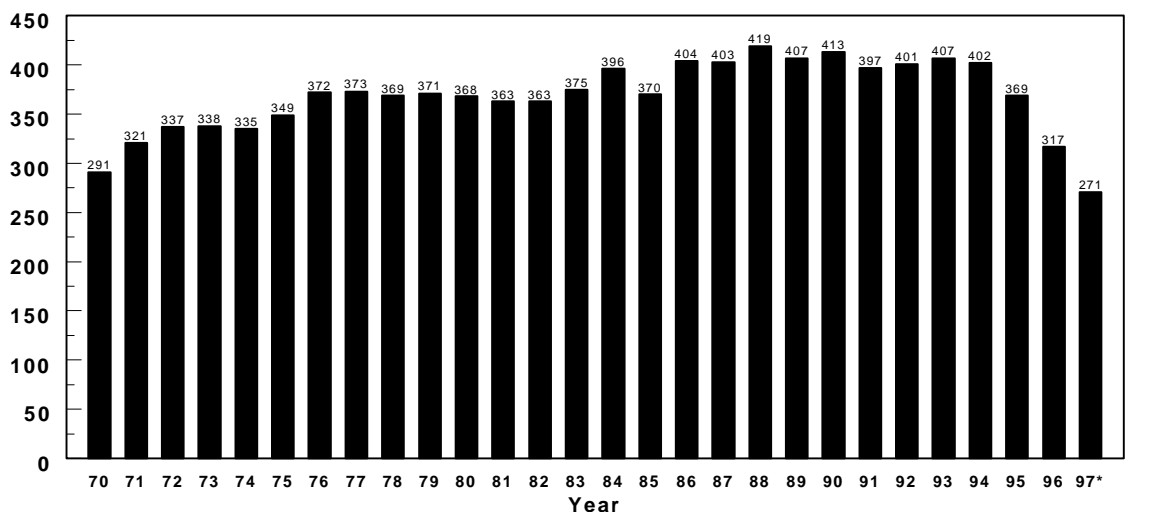
civil service positions not filled by the officers with less than 15 years of service.

- Fills additional positions as necessary for meeting NOAA's mission requirements, such as piloting the hurricane research aircraft. Approximately 120 officers, who are eligible for military retirement, will be allowed to apply for these positions.
- Involuntarily separates officers who do not accept the conversion and who are not eligible for retirement. These officers will receive separation pay.
- Transfers administration of the NOAA Corps retirement program to the Department of the Navy.
- Eliminates the Corps on October 1, 1997.

NOAA estimates that enactment of the legislation in accordance with the transition plan, along with the Corps' recent downsizing, will result in a savings of \$24 million over a five-year period. In addition, NOAA anticipates

“further savings from improving the process used by each program office to conduct future observations, data gathering and research activities. Disestablishment will present opportunities for savings through restructuring or contracting with private companies. . . . This change would be consistent with the provisions of Public Law 104-208 which eliminated the Marine Services account and provided funds directly to program offices for data acquisition.”

**Number of NOAA Corps Officers
(On-Board Strength as of September 30 Each Year)**



*Estimate
Data Provided by NOAA

By using the services of an independent actuary to review the Corps' retirement system, NOAA was able to quantify cost savings that had not been identified in previous cost comparisons between the Corps and a civilian workforce. The civil service retirement system is a fully funded retirement system, whereas the military retirement system is only partially funded through current appropriations. As a result, NOAA concludes that

“simply comparing outlays for the Corps and an equivalently sized civilian system could yield misleading conclusions because the outlays are not ‘buying the same package of goods.’ In effect, NOAA is paying only 39 cents on each dollar required to put the Corps’ retirement system on par . . . with the civilian retirement system.”

In other words, previous studies have significantly underestimated the savings associated with replacing officers with civilians.

The May 1997 versions of the proposed legislation and transition plan are significant improvements over earlier drafts, and many of our initial concerns about such issues as retirement incentives and separation payments have been addressed. However, one important issue remains unresolved: the maximum number of officers that should be converted to civil service positions. The following sections of our report discuss this issue and provide recommendations to resolve it.

Purpose and Scope

We performed an evaluation of the legislative proposal and transition plan for converting the officers in NOAA's Commissioned Corps to civil service positions. The purpose of our review was to determine whether the legislation and plan provide the most cost-effective means of accomplishing this objective. We did not independently determine the one-time cost of the proposed transition; an outside actuary has assisted NOAA with this calculation. Instead, we evaluated the long-term economic and programmatic impact of converting officers to civil service positions.

A previous OIG report, *NOAA Should Decommission Its Ships and Terminate the Recent Billion-Dollar Fleet Modernization Plan*, issued in March 1996, provided information on the limited number of conversions necessary for future ship-related activities, and an audit currently underway will address the number of conversions needed for aircraft-related activities.

Our field work was conducted during the period November 1996 through June 1997. In addition to reviewing the proposed legislation and transition plan, we analyzed recent budget documents and accounting reports, including an electronic version of NOAA's fiscal year 1996 financial management reports. We also discussed Corps transition issues with the Deputy Under Secretary for Oceans and Atmosphere, the Associate Deputy Under Secretary for Oceans and Atmosphere, Office of NOAA Corps Operations, NOAA's Budget Execution Staff, and NOAA's Office of General Counsel.

Observations and Conclusions

I. The NOAA Corps Transition Staffing Plan Should Convert No More Than 170 Officers to Permanent Civil Service Positions

The Department of Commerce, in consultation with NOAA, has prepared a legislative proposal and transition plan for converting NOAA's commissioned officers to civil service positions. The majority of the converted positions will be in NOAA's line organizations that receive ship-support appropriations for marine research: the National Ocean Service, the National Marine Fisheries Service, and the Office of Oceanic and Atmospheric Research.

However, both the Congress and the Administration have recently advised NOAA concerning the use of ship-related appropriations. The Congressional Conference Report on Commerce's appropriations for fiscal year 1997 included the following guidance:

"The conference agreement adopts the House recommendation to eliminate the Marine Services subactivity and provide funding directly to the line offices. . . . The conferees believe this reform will provide NOAA line organizations with an incentive to make cost-benefit tradeoffs between using NOAA and charter vessels. As the NOAA fleet has downsized, NOAA line organizations are seeking alternatives to fleet resources to meet their data collection needs. This reform will provide NOAA line offices additional flexibility necessary to meet their needs. The conferees expect NOAA to follow the guidance in the House report regarding the use of these funds."

This last sentence is referring to even stronger language in House Report 104-676, which states that program managers within NOAA are expected "to acquire shiptime and data in the most cost-effective and efficient manner. . . . *The Committee does not intend for NOAA to use this funding simply to support the status quo when determining whether to contract out for services*" (emphasis added).

The National Performance Review's 1993 report, *From Red Tape to Results: Creating a Government that Works Better and Costs Less*, also recommended that NOAA find ways to increase "public and private competition to bolster the aging fleet." This was followed by the NPR's 1995 report with a recommendation to eliminate the NOAA Corps.

In addition to the Congressional guidance and NPR recommendations, our office, the General Accounting Office, the National Research Council, and a departmental advisory committee

have recommended that NOAA's inhouse organizational infrastructure be reduced and more emphasis be placed on outsourcing for ship-related services.¹

Progress on Legislation to Eliminate the Corps

The transition plan and the implementing legislative proposal were prepared in response to the following statement in Public Law 104-208, the Omnibus Appropriations Act for the Departments of Commerce, Justice, State, the Judiciary, and Related Agencies, dated September 30, 1996:

“Not later than November 15, 1996, the Department of Commerce, in conjunction with the National Oceanic and Atmospheric Administration, shall submit to the appropriate committees of the Congress, a long-term plan and a legislative proposal necessary to implement such plan regarding the continuation of a National Oceanic and Atmospheric Administration commissioned corps.”

In response to this Congressional mandate, various drafts of the legislative proposal and transition plan have been distributed to departmental officials for comment. The May 1997 versions of the legislative proposal and transition plan were sent to the Congress.

The May 1997 versions of the legislation and plan allow NOAA to create almost 300 civil service positions to accommodate the conversion process. According to the transition plan, “the total number of positions created . . . would not exceed the civilian equivalent of the authorized size [299] of the NOAA Corps as of the date of disestablishment.” In a simplified form, the conversion occurs in the following sequence:

- Step 1: Approximately 120 officers with 15 or more years of service receive military retirements.

- Step 2: Approximately 170 officers with less than 15 years of service are placed within 299 designated civil service positions.

¹See the OIG report entitled *NOAA Should Decommission Its Ships and Terminate the Recent Billion-Dollar Fleet Modernization Plan*, IPE-7794, March 1996, for a detailed explanation of our office's recommendations regarding the NOAA fleet. For the GAO recommendations, see *Research Fleet Modernization: NOAA Needs to Consider Alternatives to the Acquisition of New Vessels*, RCED-94-170, August 1994. The two most influential reports by the National Research Council are *Strategies for Obtaining Ship Services: Alternatives for NOAA*, issued in 1988, and *Review of NOAA's Fleet Replacement and Modernization Plan*, issued in 1994. The departmental advisory committee's recommendations are discussed in *Initial Report on the NOAA Fleet Replacement and Modernization Plan*, Fleet Modernization Subcommittee of the Department of Commerce Oceanic and Atmospheric Management Advisory Committee, March 1992, as well as the *Second Report* issued in October 1992.

- Step 3: Any of the 299 civil service positions created as part of this process and not filled by the 170 officers with less than 15 years of service are open to the retired officers and civilians in the Department.

The last step in this process will give NOAA the authority to convert or rehire almost all of the current Corps officers. If the less-critical positions are filled with the 170 non-retiring officers and the 120 retired officers are rehired for the “additional positions, as determined by the Under Secretary to be necessary,” NOAA will lock into place the current organizational structure, and no increased efficiencies will be achieved.

According to the latest transition plan, an example of a critical position that can be filled only by retirement-eligible officers is piloting the hurricane research aircraft. This reference is to NOAA’s two heavy aircraft that, together with the ten “hurricane hunters” of the Air Force Reserve, conduct research and reconnaissance on tropical storms. Maintaining a sufficient number of qualified pilots for the heavy aircraft is not a new issue. In a previous OIG audit report, *Aircraft Operations Center Needs Management Attention*, ATL-5958-5-0001, March 1995, we noted that the air crew experience for hurricane research pilots was declining and recommended that NOAA’s Aircraft Operations Center improve its training program for junior and mid-career pilots. The following table illustrates the situation at the AOC:

Table 1: Heavy Aircraft (P-3) Pilots May 1997						
Pilot	Retire- ment Eligible	Years of Service	Total Flight Hours	Heavy Aircraft Flt. Hrs.	Hurricane Seasons	Hurricane Penetrations
A*	Yes	28	4000	860	7	62
B*	Yes	22	9500	425	4	22
C*	Yes	21	5350	1780	9	120
D*	Yes	19	7700	1615	9	172
E	Yes	15	3920	720	1	34
F	No	14	3500	330	1	49
G*	No	11	4550	2065	7	148
H	No	11	3800	305	1	35
* These pilots are “hurricane qualified.”						

Source of Flight Data: NOAA’s Aircraft Operations Center

The operation of NOAA's two hurricane research aircraft has historically required a total of three pilots who are "hurricane qualified" (i.e., completed at least two hurricane seasons and 50 hurricane penetrations) and three copilots who are working to be "hurricane qualified." The Department's analysis of the proposed legislation that accompanies the plan states that the "pilot positions for the hurricane reconnaissance/research aircraft are an example of the essential responsibilities that would not be filled by [non-retiring] officers because all such officers lack the necessary training." However, both the data in the previous table and information provided by former hurricane reconnaissance pilots indicate that this statement is not entirely accurate and that replacement pilots can be transitioned into these positions over two or three hurricane seasons. One non-retiring officer is already "hurricane qualified"; two other pilots should be qualified by the end of the 1997 season. In addition, there are approximately 20 non-retiring NOAA aviators who are eligible to be trained for the copilot positions.

We believe that adequate planning will reduce, if not eliminate, the necessity to rehire most of the "retiring" pilots, and those that are rehired should be in temporary positions. NOAA needs to implement the transition plan so that only officers with less than 15 years of service will be converted to permanent civil service positions. In the case of the pilots, the plan should enable as many of the non-retiring pilots as necessary to reach hurricane-qualified status over the next three hurricane seasons. If retiring officers must be relied on to bridge the interim period, they should be rehired only in temporary not-to-exceed-three-years positions. This would allow sufficient time for training the non-retiring pilots. There may be other positions that require similar planning. The cost implications of failing to prioritize the 170 positions to be filled by non-retiring officers are illustrated by the following table:

Table 2: Cost Implications			
Location of Converted Positions	NOAA Transition Plan	OIG Proposal	Difference
NOAA's Line Organizations	187	100 ¹	87
Ship & Aircraft Activities	112	70 ²	42
Total Positions	299	170	129
Cost of Positions³	\$ 19.3 Million	\$ 11.0 Million	\$ 8.3 Million
¹ See Section II of this report for an explanation of the 100 positions. ² See Section III of this report for an explanation of the 70 positions. ³ The cost is based on an OIG-derived average cost per officer of \$64,437 for fiscal year 1996. This is almost identical to a NOAA Corps-derived estimate of \$64,000, which is presented in the February 1996 transition plan.			

Source of Data: OIG and NOAA

We believe that converting almost 300 officer positions to inhouse civilian positions will result in diverting funds from ship-related appropriations and reduce NOAA's incentive for exploring outsourcing alternatives for ship and aircraft support. NOAA needs to balance the transition plan's objective of "providing fair treatment of retired officers and officers on the active list" with the equally important objective of seeking cost-effective solutions to replace inefficient inhouse operations.

Funds to Be Put to Better Use

The \$8.3 million shown in the previous table represents annual funds that can be put to better use if no more than 170 officers are converted to permanent civil service positions. Over the next two fiscal years, NOAA will have \$16.6 million available to acquire additional ship and aircraft support.

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In responding to our draft report, NOAA officials disagreed with the conclusions and recommendations by stating that (1) our draft report did not provide sufficient analysis to justify the number of positions that we recommended for conversion, (2) NOAA has found no data to support the OIG premise that the private sector can provide suitable alternatives to the inhouse ships and aircraft, (3) it was appropriate for NOAA to continue using data acquisition funds to pay for non-ship positions in the line organizations, (4) NOAA's May 1997 proposal for converting 299 officer positions to civilian positions would not "lock in" the current organizational infrastructure, (5) implementation of the May 1997 transition plan would not divert funds from ship-related appropriations and reduce NOAA's incentive for exploring outsourcing alternatives, and (6) the OIG's estimate of \$8.3 million per year in Funds to Be Put to Better Use was an "illusory" number because no "savings" would be realized. NOAA's complete response is attached to this report.

The following comments address the issues raised in NOAA's response:

- (1) The conclusions and recommendation in this report result from a thorough analysis of financial data. That is, we have determined the number of positions that the line organizations can pay for if ship-related appropriations are no longer used for non-ship work. Our estimate of 100 converted positions in the line organizations, rather than the 187 proposed by NOAA, is based on solid financial data derived from NOAA's financial management system. The numbers that we are proposing will maintain staffing levels within appropriated funding levels for non-ship activities. Although higher numbers may be justified based on other criteria, we believe that appropriated funding levels represent the most suitable criteria.

- (2) Although NOAA officials state that “NOAA has not found data” to support the position that cost-effective alternatives exist for NOAA’s inhouse ships and aircraft, other organizations have repeatedly found such data. See Appendix B, a memorandum from our office to the Director of NOAA Corps Operations, for illustrative comments from these studies. In part, our memorandum states:

“It is evident from the above citations that the studies present numerous examples of the cost-effectiveness of using non-NOAA vessels. For at least a decade before the OIG conducted its in-depth study, there was significant and sufficient evidence for choosing outsourcing alternatives over inhouse operations. It is difficult to understand how the NOAA Corps can still be insisting that “None of the reports . . . conclude NOAA Ships are more costly than private or university vessels.”

“With regard to the degree of outsourcing that NOAA should be pursuing, it is clear from the studies that the evaluators found reasons to pursue outsourcing in *all* missions (oceanography, hydrography, and fisheries) and for *all* types of ships.”

Our ongoing study of aircraft operations is nearing completion and the preliminary data continues to support our position that NOAA should be making greater use of private-sector alternatives for its routine and reimbursable aircraft-related projects.

- (3) NOAA states that it is appropriate for ship-related funding to be used to pay for officers working in organizations because the converted positions will be involved in processing and analyzing data. However, after the transition takes place, the converted positions should be mission-critical positions that are similar to already existing positions within the line organizations. Since NOAA is predominantly a data-gathering agency, hundreds, if not thousands, of these positions within the line organizations are involved in data acquisition and analysis. Using NOAA’s criteria, all of the ship-related appropriations could potentially be used to fund positions in the line organizations. Also, NOAA’s previous funding arrangements for these officers appear to contradict NOAA’s stated position. For example, 59 of the officers serving in the National Ocean Service are paid for with funds from NOS (not from ship-related appropriations), six of the officers in the National Weather Service are paid for with funds from NWS, etc. In no line organization are all officer positions paid for with ship-related appropriations. Unless NOAA receives reprogramming authority to transfer ship-related appropriations to non-ship activities, NOAA should only convert 100 positions in the line organizations during the Corps transition.
- (4) As we stated earlier in this report, the Congressional committees responsible for eliminating the Marine Services subactivity and replacing it the Acquisition of Data appropriation have indicated that they do not intend for NOAA to use this funding to

support the status quo. If NOAA retains all 299 permanent positions inhouse and uses ship-related appropriations to pay for them, the opportunity to contract for data-acquisition services will be greatly reduced, if not eliminated. This position is supported by the financial analysis in this report. NOAA officials maintain that Congress has asked them only to examine outsourcing alternatives. See Appendix B for an overview of the findings of non-NOAA organizations that have already examined the availability and cost of outsourcing options and found sufficient evidence that NOAA should be more actively pursuing this approach.

- (5) NOAA's statement that the May 1997 transition plan "would not divert funds from ship related activities" is misleading. It is true that the May 1997 transition plan will not divert *additional* funds from ship-related appropriations, but almost \$5 million per year is already being diverted and will continue to be diverted if the transition plan is implemented. We continue to believe that these funds could be more cost effectively used for outsourcing and that the organization structure resulting from the May 1997 transition plan will reduce NOAA's incentive (and funding) for private-sector alternatives.
- (6) The OIG's \$8.3 million per year in Funds to Be Put to Better Use is based on the financial data supplied by NOAA and the definition of the term from the 1988 amendment to the Inspector General Act. The \$8.3 million per year is the amount of funds that would be available for ship-related and aircraft-related outsourcing if not used for the salaries and benefits of inhouse personnel. Funds to Be Put to Better Use does not refer exclusively to funds that can be returned to the U.S. treasury, but also includes funds that "could be used more efficiently if management of an establishment took actions to implement and complete the recommendation."

II. The Number of Officer Conversions within NOAA's Line Offices Should Be Limited to 100 Positions

In June 1996, 175 Corps officers were serving in positions in NOAA's five line organizations: National Ocean Service, National Marine Fisheries Service, Office of Oceanic and Atmospheric Research, National Weather Service, and National Environmental Satellite, Data, and Information Service. Since NOAA began drafting legislation to eliminate the Corps, NOAA has identified approximately 187 officer positions in the line organizations that are to be converted to civil service positions. (In July 1997, NOAA was still finalizing the exact number of positions and the distribution of positions to the line organization.)

Fifty-seven percent of the fiscal year 1996 funds used to pay for these 175 positions can be traced to Congressional appropriations for the line organizations; however, the remaining 43% of funding comes from "Marine Services," which are ship-related appropriations. When ship-support appropriations are used in this way to pay for line-office positions, less marine research and fewer fishery surveys can be done. We believe that no ship-related appropriations should be used to pay for line-office positions.

Reasons for Officers in the Line Organizations

Over the years, in order to accommodate the rotation policy of the Corps, officer positions were created in all of NOAA's line organizations. The precise number of filled positions varies slightly from year to year, but the following table illustrates the slight rise in the number of positions over the last five years:

Table 3: Line Organization Officer Positions						
Line Organization	Oct-91	Oct-92	Oct-93	Oct-94	Oct-95	Jun-96
NOS	79	77	81	90	83	82
NMFS	32	30	33	30	39	45
OAR	33	35	32	30	27	26
NWS	9	12	9	9	9	10
NESDIS	8	10	8	12	12	12
Total	161	164	163	171	170	175

Source of Data: NOAA

As recently as October 1991, when the NOAA Corps consisted of approximately 400 officers, there were only 161 line office positions. However, NOAA has now identified approximately 187 line office positions for possible conversion from uniformed to civil service positions, even though fewer than 300 officers are now in the Corps.

Sources of Funding for Officers in Line Organizations

The officers' positions in the line organizations are partially paid for by the programs for which the officers are working and partially funded from "Marine Services." Even though the primary purpose of the "Marine Services" appropriation is to ensure ship support for NOAA's marine programs, funds have been used in the past to pay for officers assigned to programs that do not perform ship-related functions. To determine the original source of funding for the officers in the line organizations, we reviewed documents prepared by NOAA for the July 1996 draft of the Corps transition plan and analyzed end-of-fiscal-year-1996 data from NOAA's financial information system. The former documents identified planned funding for NOAA's activities, whereas the latter analysis identified actual funding for the same activities. The results are shown below:

Table 4: Line Organizations' FY96 Expenditures For Officer Positions		
Line Organization	Planned Funding¹	Actual Funding²
NOS	\$ 2,793,000	\$ 3,788,387
NMFS	798,000	969,989
OAR	96,000	926,041
NWS	474,000	391,379
NESDIS	333,000	335,994
Total	\$ 4,494,000	\$ 6,411,790
¹ Planned Funding is derived from NOAA's July 1996 draft of the Corps transition plan. ² Actual Funding is derived from OIG analysis of data from NOAA's financial information system.		

Source of Data: NOAA and OIG

It is the "Actual Funding" that is important for the rest of this discussion; the "Planned Funding" is reported only because it has been cited in previous NOAA documents as the contribution from the line organizations. As the following table shows, the difference between the actual funding provided by the line organizations (\$6.4 million) and the total cost of the 175 officers

(\$11.3 million) was funded by the “Marine Services” appropriation. The result is that approximately \$4.9 million of ship-related funding was used to pay for Corps positions that did not directly support ships.

Table 5: FY96 Funding Sources for Officer Positions In the Line Organizations		
Total Cost of Officers*	Funding from Line Organizations	Ship-Related Appropriations
\$11.3 million	\$6.4 million	\$4.9 million
*Based on an average cost of \$64,437/officer for the 175 officers assigned to the line organizations during June 1996.		

Source of Data: OIG

Consequence of Past Funding Arrangements

The consequence of using ship-related appropriations to pay for positions in the line organizations is that funds have been diverted from their original purpose (ship-support activities) to an entirely different purpose (programs that have no ship-support function). As a result, each year \$4-5 million that the Congress appropriates to pay for ship support is instead used to pay the salaries of program scientists, solar analysts, marine sanctuary managers, environmental laboratory officials, and other personnel who perform non-ship-related functions.

If NOAA’s transition plan allows this practice to continue and perhaps even increases the number of non-ship positions paid for with ship-related appropriations, NOAA will have to compensate by reducing its use of ships for conducting fishery surveys and collecting data for nautical charts.

As we stated in Section I of this report, the House and Senate conference agreement on the fiscal year 1997 budget eliminated the “Marine Services” account and created the “Acquisition of Data” account to “provide NOAA line organizations with an incentive to make cost-benefit tradeoffs between using NOAA and charter vessels.” To ensure that ship-related appropriations are used exclusively to support marine programs, NOAA’s transition plan should create only line-office positions that are fully funded by the programs benefiting from the positions.

Based on fiscal year 1996 data, the line organizations can accommodate only about 100 positions, rather than the 187 planned by NOAA. (Note: The exact number of positions based on \$6.4 million is 99.3; however, we have rounded this number to 100 in our discussions.)

Table 6: Staffing Reductions Needed to Ensure That Ship-Related Appropriations Are Used Solely for Ship Support			
Line Organization	Officer Positions FY96	Funded by Line Org.	Difference
NOS	82	59	23
NMFS	45	15	30
OAR	26	14	12
NWS	10	6	4
NESDIS	12	5	7
Total Positions	175	99	76
Total Costs*	\$ 11.3 Million	\$6.4 Million	\$ 4.9 Million
*Based on an average cost of \$64,437/officer for the 175 officers assigned to the line organizations during June 1996.			

Source of Data: OIG

The Corps officers assigned to the National Weather Service can be used to illustrate the significance of the data in the previous table. Although 10 NOAA Corps officers were working in weather service positions in June 1996, NWS was paying for only six of these positions. The cost of the other four officers (approximately \$258,000) was paid with funds from ship-support appropriations.

However, even line organizations that have ship-related activities often use Corps officers for non-ship work. For example, only 14 of the 26 officers assigned to the Office of Oceanic and Atmospheric Research were funded through OAR appropriations. The other 12 officers were paid for with ship-support funds even though the officers were assigned to the environmental research laboratories, the Assistant Administrator's office, the Sea Grant program, and other non-ship activities.

Any line-organization positions created in excess of what the line organizations are willing to pay for will divert funds from other sources, particularly ship-support appropriations, to cover the cost of the positions. We believe that no more than 100 officers should be converted to positions in the line organizations, and that none of these positions should be funded with ship-support appropriations.

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In responding to our draft report, NOAA officials disagreed with our observations and recommendations by stating that (1) the officer positions within the line organizations are not the result of the Corps' rotation policy, (2) the proposed 187 positions in the line organizations are essential for meeting NOAA's program needs, (3) the OIG's recommended process for converting non-retiring officers to civilian positions was not acceptable, and (4) it was appropriate for NOAA to continue using data acquisition funds to pay for non-ship positions in the line organizations. NOAA's complete response is attached to this report.

- (1) NOAA officials disagreed with our statement that line-organization positions were created to "accommodate the rotation policy of the Corps." However, a February 1993 memorandum from the Deputy Under Secretary for Oceans and Atmosphere to our office states:

"The maintenance of a professional seagoing service within NOAA requires a viable rotational system. The NOAA Corps has had a historical sea rotational pattern of approximately three officers for each officer at sea. . . . In view of the fact that the direction of other fleet operators/seagoing services is to maintain more not less time off for their operators, it is reasonable for NOAA to not reduce the ratio below three officers ashore for each officer at sea. . . . A policy is established whereas any Commissioned Officer billets over and above the centrally managed number of officers necessary for proper sea-air rotation, necessary basic training, or the 'special/emergency' capability shall be acquired through justification by program managers of NOAA and the provision by that office of funding to support the position."

Clearly, there is a direct relationship (independent of the mission requirements of the line organizations) between the number of at-sea positions and the number of shoreside positions needed to accommodate the rotation of officers.

- (2) As we stated at the end of the last section, our conclusions and recommendation are derived from an analysis of financial information, not from a review of program requirements. Current funding levels can support only 100 officer conversions in the line organizations, regardless of the number of personnel desired by each line organization. It should also be noted that when NOAA conducted an inhouse review of NOAA Corps operations in 1995, only 134 "critical shore positions" were identified. This is 50 positions fewer than the number identified in 1997 for the transition plan.

- (3) Although NOAA officials stated that they disagreed with OIG's recommended procedure for converting officers to civilians, we must again emphasize that it is currently the only alternative for maintaining staffing levels within appropriated budgets.
- (4) As we stated at the end of the previous section, unless NOAA receives reprogramming authority to transfer ship-related appropriations to non-ship activities, NOAA should only convert 100 positions in the line organizations during the NOAA Corps transition.

III. The Number of Officer Conversions for Ship-Related and Aircraft-Related Activities Should Not Exceed 70 Positions

According to the proposed legislation that accompanies the transition plan, the elimination of the Corps should be carried out while meeting two objectives:

- “providing for fair treatment of retired officers and officers on the active list of the NOAA Corps, and other employees of the National Oceanic and Atmospheric Administration and the Department of Commerce”; and
- “providing for the retention of professional skills and experience required by NOAA to continue to carry out its mission effectively.”

We support both of these statements, but believe that NOAA can meet these objectives while also seeking outsourcing alternatives to eliminate inefficient inhouse operations. In effect, we believe that NOAA’s future staffing levels for ship-related and aircraft-related activities will be significantly lower than current levels. Based on conclusions in the 1996 OIG report and the preliminary observations from an ongoing OIG audit (see below), we believe that no more than 70 permanent positions should be created in NOAA’s ship and aircraft support services.

1996 OIG Report on the NOAA Fleet

NOAA should be outsourcing for its ship-related services. Our 1996 program evaluation of fleet operations confirmed that NOAA can acquire more modern platforms at reduced cost when NOAA eliminates its inhouse fleet and outsources for ship services:

- NOAA’s requirements for deep-water research can be met by making better use of other federal oceanographic ships, including the fleet operated by the University-National Oceanographic Laboratory System.
- NOAA’s fisheries assessments can be carried out using a combination of short-term charters and long-term leases of private vessels. This can include allowing contractors to operate current fishery vessels until suitable replacements are obtained.
- NOAA’s mapping and charting requirements can be met by contracting with private-sector firms to provide the data.

For all of its ship-related work – oceanography, fisheries, and hydrography – NOAA can begin outsourcing immediately to achieve at least the same quality of service at lower costs. We believe that the entire transition from operating ships inhouse to outsourcing for services can be

accomplished within three years. (See *NOAA Should Decommission Its Ships and Terminate the Recent Billion-Dollar Fleet Modernization Plan*, IPE-7794, March 1996, for a detailed explanation of the OIG's findings and recommendations, as well as a summary of similar findings in previous federal studies.)

On-Going OIG Study of NOAA's Aircraft Services

NOAA's 14 aircraft are used for (a) unique scientific missions, such as hurricane research, (b) routine operational missions, such as aerial photography to check for potential airport obstructions, and (c) reimbursable missions, such as flying helicopters to conduct hydrographic surveys for the Army Corps of Engineers. Our office is currently conducting a review of NOAA's Aircraft Operations Center to determine whether there are outsourcing options for inhouse operations and whether the alternatives are more cost effective. Based on our preliminary review of fiscal year 1996 program requirements and cost data, we believe that (1) private-sector aircraft can carry out NOAA's routine operational missions and reimbursable missions and (2) the cost of operating many of NOAA's light aircraft is higher than the equivalent industry rates and the contract rates paid by other federal agencies for comparable missions. If these preliminary observations are confirmed, the number of personnel associated with inhouse aircraft support can be reduced significantly. It is important to note that the number of hurricane research scientists, missions, and aircraft will not be affected by this potential reduction. The final results of our review will be available before the end of calendar year 1997.

Potential Impact of Outsourcing for Ship-Related and Aircraft-Related Services

While the number of officers working in the line organizations has increased in recent years (see Section II), the number of officers involved in ship and aircraft support has declined. In July 1995, there were approximately 98 officers assigned to NOAA's ships, but within two years this number had been reduced to 58. During the same time period, the number of pilots assigned to the Aircraft Operations Center decreased from 36 to 31. The main reason for the sharp decline in officers aboard ships was that older ships requiring large crews were taken out of service. The remainder of the decline in officers can be attributed primarily to the recent across-the-board reduction in NOAA Corps personnel.

As we have already stated in this report, the savings and improvements associated with outsourcing for ship-related services are well documented by our office and other federal agencies. Based on our preliminary data, we believe that similar savings and improvements are likely with aircraft services. (See page 9 of this report for a discussion of special issues associated with the hurricane research aircraft.)

The OIG-recommended numbers in the last column of the following table represent a means of accommodating non-retiring officers while simultaneously (1) taking the initial step toward outsourcing for ship support and (2) eliminating reimbursable aircraft support for outside federal agencies. We believe that these numbers can be reduced over the next three years to 5-10 personnel for ships (based on the findings in our 1996 report on the NOAA fleet) and 12-15 personnel for aircraft (based on the preliminary findings in our ongoing review of the NOAA aircraft).

Table 7: Number of Permanent Positions For Ship and Aircraft Support			
Support Activity	Number of Officers 7/95¹	Number of Officers 7/97²	Recommendation After Transition³
Officers Onboard Ships	98	58	45
Officers at Aircraft Operations	36	31	25
Total	134	89	70
¹ Information from 7/13/95 NOAA Corps Billet List and 7/12/96 draft of the NOAA Corps transition plan. ² Information from 7/14/97 NOAA Corps Billet List. ³ The OIG numbers accommodate non-retiring officers while simultaneously (1) taking the initial step toward outsourcing for ship support and (2) eliminating reimbursable aircraft support for outside federal agencies.			

Source of Data: NOAA and OIG

Creating no more than 70 civil service positions for ship and aircraft services will ensure sufficient staffing to maintain essential inhouse services while providing an incentive to use more cost-effective outsourcing options for ships and aircraft.

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In responding to our draft report, NOAA officials disagreed with the conclusions and recommendations by stating that (1) the OIG has not provided support for our position that outsourcing is cost effective, and (2) NOAA has taken a number of steps to reduce the cost of inhouse ship support and expand the use of outsourcing. NOAA's complete response is attached to this report.

- (1) As we stated at the end of the previous two sections, sufficient data does exist for determining that outsourcing is cost-effective. This information has existed for at least a decade and has been provided to NOAA on numerous occasions. Appendix B provides a number of examples for ship-related support. Our ongoing study of aircraft operations is nearing completion and the preliminary data continues to support our position that NOAA

should be making greater use of private-sector alternatives for its routine and reimbursable aircraft-related projects.

- (2) We commend NOAA for taking some of its inefficient ships off line and indicating a willingness to increase the use of private-sector hydrographic firms. These actions have been advocated by independent study groups for over a decade. It is time for NOAA to implement fully the recommendations in these previous studies, including the recommendations in the OIG's 1996 fleet study.

Recommendations

We recommend that the Under Secretary for Oceans and Atmosphere take the following actions related to the NOAA Corps Transition Plan:

1. Limit the number of positions converted for the NOAA Corps Transition Plan to no more than 170 permanent civil service positions.
 - a. No more than 100 positions should be for line organization activities not directly related to ship and aircraft operations, and no ship-related appropriations should be used to pay for line office positions.
 - b. No more than 70 positions should be for ship and aircraft support.
2. Incorporate the following steps into the process of converting the 170 non-retiring officers into permanent civil service positions:
 - a. Prioritize the proposed converted positions in each line organization and activity according to program-related, mission-essential criteria.
 - b. Determine the most essential 100 line organization positions.
 - c. Determine the most essential 70 positions for ship-related and aircraft-related support.
 - d. Determine a means of continuing essential services and activities until all of the 170 positions can be filled with qualified non-retiring officers. This can include temporarily rehiring retired officers.
3. To confirm that ship-related appropriations are used exclusively to support marine programs, provide our office with accounting information that will show all officers and former officers (title, organization, salary) funded by ship-related appropriations during the current fiscal year and after the transition.

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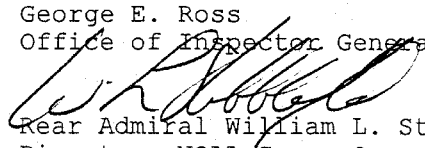
In responding to our draft report, NOAA officials disagreed with the first two recommendations. At the end of the previous sections of this report, we address each the issues raised by NOAA officials and therefore reaffirm our original recommendations.



UNITED STATES DEPARTMENT OF COMMERCE
National Oceanic and Atmospheric Administration
Silver Spring, Maryland 20910
OFFICE OF NOAA CORPS OPERATIONS

AUG 27 1997

MEMORANDUM FOR: George E. Ross
Office of Inspector General

FROM: 
Rear Admiral William L. Stubblefield, NOAA
Director, NOAA Corps Operations

SUBJECT: Studies of the NOAA Fleet

During last Friday's exit briefing on the dissolution plan for the NOAA Corps, the point was made that previous studies by various reviewers, including among others the General Accounting Office, recommend that NOAA should immediately outsource for its ship requirements. I have reviewed these independent reports and studies on NOAA ship operations; each suggest that NOAA should explore outsourcing as a possible means to reduce costs. None of the reports, however, conclude NOAA Ships are more costly than private or university vessels, nor do they make the statement that NOAA should outsource for all its ship needs.

The following information applies:

The General Accounting Office Report "Deactivating Research Vessels," June 1986, states in the executive summary that "...cost of NOAA vessels tends to be higher because it owns larger more expensive multi-purpose vessels, and most charter vessels have been smaller and generally less expensive single-purpose vessels. As a result, it would not be appropriate to use this cost information to determine whether NOAA or the private sector has an overall advantage."

The General Accounting Office Report "NOAA Needs to Plan for Long-Term Requirements", November 1989, states in the Recommendations that "This [FRAM] plan should, among other things, provide flexibility so that NOAA can, if provided by the Congress, exercise multi year contracting authority to experiment with long-term chartering/leasing arrangements in providing some of NOAA's future ship support."

The Marine Board Report "Strategies for Obtaining Ship Services" 1988, states that "Industry and other governmental agencies have used chartering to obtain sophisticated and



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cost-effective oceanographic services. In selected program areas, NOAA potentially could use chartering to comparable advantage to help to meet its ship needs and to bring new and more sophisticated vessels into national service. Other program areas are not conducive to chartering."

The Oceanic and Atmospheric Management Committee (OAMAC) initial report dated May 5, 1992, states that "Other cost-effective options should be more fully-explored and resolved prior to plan [FRAM] approval." and "The subcommittee recommends a greater use of commonly available outsourcing options, such as turnkey contracting, medium-term leasing and chartering to augment an NOAA core fleet capability. There should be a determination of the best mix of NOAA owned versus out sourced vessels."

The Oceanic and Atmospheric Management Committee (OAMAC) second report dated October 6, 1992, states that "NOAA should carefully evaluate the priorities of all at-sea work planned for the near term (i.e., 3 to 5 years) and to explore and use, as practical time and bareboat chartered ships to fill vessel needs it can not timely, efficiently or economically fill with NOAA-owned ships. Costs for NOAA, UNOLS and commercial ship use should be evaluated to a common base."

The September 3, 1994, General Accounting Office Report states that "NOAA Needs to Consider Alternatives to the Acquisition to New Vessels" in the executive summary that "Because NOAA does not have the financial and operational data it needs to adequately assess whether chartered and contracted vessel services can cost-effectively meet the needs of NOAA programs, NOAA has no assurance that its fleet modernization plan represents the most cost-effective means of meeting future program requirements. One way for NOAA to obtain the data it needs is to experiment with contracting for products and services required by NOAA programs."

NOAA agrees with the premise that additional information is needed to ensure program needs are met at the lowest cost to the Government. In keeping with the recommendations of these various studies, NOAA has taken significant steps to assess the capability and relative costs of other vessels to meet its needs. NOAA is chartering vessels from the private sector and using UNOLS vessels to obtain the information necessary for making competent decisions on how best to meet its program needs. This was accomplished, in-part, through the lay-up of five of its ships. In evaluating the best "mix" of vessels, it is important that NOAA proceed carefully to ensure programs needs are not compromised.

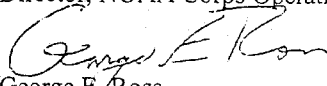
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UNITED STATES DEPARTMENT OF COMMERCE
Office of Inspector General
Washington, D.C. 20230

September 10, 1997

MEMORANDUM FOR: Rear Admiral William L. Stubblefield
Director, NOAA Corps Operations

FROM: 
George E. Ross
Assistant Inspector General for Auditing

SUBJECT: Studies of the NOAA Fleet

I appreciate the opportunity to address the issues you raised in your August 27, 1997 memorandum concerning previous studies of the NOAA fleet. Your main points seem to be contained in these sentences:

"I have reviewed these independent reports and studies on NOAA ship operations; each suggest that NOAA should explore outsourcing as a possible means to reduce costs. None of the reports, however, conclude NOAA ships are more costly than private or university vessels, nor do they make the statement that NOAA should outsource for all its ship needs."

However, OIG staff have also read these studies and concluded that they have adequately discussed (1) the cost-effectiveness of ships in the private sector and academic community and (2) the advantages of outsourcing for oceanographic research, hydrographic surveys, and fishery assessments. The following sample quotes may serve as useful illustrations. Particularly relevant phrases are in bold for emphasis.

Cost-Effectiveness of Ships in the Private Sector and Academic Community

- ◆ "The Deputy Director of the Northwest Center and Deputy Director of the Resource Assessment and Conservation Division at the Center told us that, with the exception of NOAA's versatile fisheries ship, the Miller Freeman, the Center generally prefers private ships and crews to support its missions because it believes
 - **charter ships cost less – usually one-half of the cost or less of a comparable NOAA ship,**
 - charter ships provide more experienced crews than does NOAA,
 - charter ships are more modern and efficient than NOAA ships,
 - charter ships increase the credibility of the Northwest Center fisheries population estimates with the fishing industry,
 - charter ships are more readily available when needed than NOAA ships, and
 - charter ships are as safe as NOAA ships." (U.S. General Accounting Office, *Deactivating Research Vessels: National Oceanic and Atmospheric Administration's*

Use of Private Ships, June 1986, p. 20)

- ◆ “The Deputy Director . . . cited a 1980 cost comparison of the NOAA research vessel Chapman that estimated the annual costs of owning and operating the ship. When these costs were divided by the standard 240 operating days per year, **the cost was about \$7,300 per sea-day. However the Deputy Director believed that 180 operating days is more realistic for the Chapman, which would raise its cost per sea-day substantially. In comparison, the average cost per sea-day was \$3,186 for the five comparable private ships used by the Northwest Center in 1980.**” (U.S. General Accounting Office, *Deactivating Research Vessels: National Oceanic and Atmospheric Administration's Use of Private Ships*, June 1986, p. 20)
- ◆ “Other government organizations and certain segments of the private sector have used chartering selectively to obtain highly sophisticated and **cost-effective** oceanographic services. Under the appropriate circumstances, NOAA could use chartering to comparable advantage.” (National Research Council, *Strategies for Obtaining Ship Services: Alternatives for NOAA*, 1988, p. 1)
- ◆ “Many of NOAA's mission requirements can be **cost effectively** accomplished without NOAA being required to build its own special purpose ships. For example, bathymetric surveys could be contracted for on a turnkey basis with proper NOAA supervision.” (U.S. Department of Commerce, *Initial Report of the Fleet Modernization Subcommittee to the Department of Commerce Oceanic and Atmospheric Management Advisory Committee on the NOAA Fleet Replacement and Modernization Plan*, March 1992, p. 3)
- ◆ “NOAA need not design ships in house. Shipbuilders advise that adaption of proven existing designs is fast, **inexpensive** and results in ships of accurately predictable performance that can be built **economically** without change orders. We are satisfied that the cost information we have been able to collect, while not firm, nevertheless supports our belief that stable, seagoing vessels capable of being used successfully for nearly all operations the Plan contemplates for high and medium endurance ships, can be built for **\$8- to \$14-million, as opposed to \$34- to \$45-million** as proposed in the Plan.” (U.S. Department of Commerce, *Initial Report of the Fleet Modernization Subcommittee to the Department of Commerce Oceanic and Atmospheric Management Advisory Committee on the NOAA Fleet Replacement and Modernization Plan*, March 1992, pp. 17-18)
- ◆ “We nevertheless suggest that, given the amount of sea time NOAA needs and the purposes for which it is needed, substantial **improvement in ship service efficiency and economy** would be achieved with no sacrifice in quality if a near term goal of at least half of the total ship tonnage NOAA intends to use were to be set for the engagement of non-NOAA ships, either directly through charters or indirectly through data acquisition contracts that will employ ships.” (U.S. Department of Commerce, *Second Report on the NOAA Fleet Replacement and Modernization Plan by the Fleet Modernization Subcommittee of the Department of Commerce Oceanic and Atmospheric Management*

Advisory Committee, October 1992, p. 8)

- ◆ “*Oceanographer* and *Discoverer* are arguably NOAA’s largest, most costly, least efficient ships. . . . We specifically recommend against RTE expenditures for them, [and] their removal from service ASAP; and redirection to large UNOLS or NAVOCEANO ships of work that cannot, with sound planning, be performed by smaller vessels (NOAA or charter).” (U.S. Department of Commerce, *Second Report on the NOAA Fleet Replacement and Modernization Plan by the Fleet Modernization Subcommittee of the Department of Commerce Oceanic and Atmospheric Management Advisory Committee*, October 1992, p. 13)
- ◆ “The case of new ship construction is not convincing because the plan does not adequately consider alternatives to a large in-house research and survey fleet. NOAA would have far more operational flexibility and would **reduce ship costs if chartering were used** as a regular part of its marine operations, rather than only on an interim basis or to meet special unanticipated needs.” (National Research Council, *Review of NOAA’s Fleet Replacement and Modernization Plan*, April 1994, p. 2)
- ◆ “When questions related to chartering vessel services were discussed with NOAA personnel, their analysis seemed to always point to NOAA as the lower-cost path for ship acquisition and operations. Yet industry and other federal agency briefings showed a varied and convincing array of options and opportunities that are being used to provide **cost-effective vessel services** for other federal agencies (U.S. Navy, National Science Foundation, U.S. Army Corps of Engineers). . . . NOAA must make a more credible effort to address the question of long-term chartering. This is a complex issue but one that other federal agencies and the oil and gas industry have solved.” (National Research Council, *Review of NOAA’s Fleet Replacement and Modernization Plan*, April 1994, p. 58)
- ◆ “Average operating costs per day at sea for the three NOAA vessels examined were \$20,800, compared with \$16,500 for the UNOLS vessel.” (U.S. General Accounting Office, *NOAA Needs to Consider Alternatives to the Acquisition of New Vessels*, August 1994, p. 17)

Advantages of Outsourcing for Oceanographic Research, Hydrographic Surveys, and Fishery Assessments

- ◆ “It is the committee’s belief that **bathymetric surveying of the EEZ should be offered to interested contractors** as promptly as a carefully drawn RFP can be prepared and multiyear chartering authorization can be obtained.” (National Research Council, *Strategies for Obtaining Ship Services: Alternatives for NOAA*, 1988, p. 56)
- ◆ “In 1988, the Marine Board of the National Research Council published a report entitled

Strategies for Obtaining Ship Services for NOAA. Among other things, this study reported on thorough research into chartering requirements from the shipowner's viewpoint, chartering methods and a cost survey. **This study strongly recommended not merely that chartering be considered as an alternative means, it specifically recommended steps that NOAA should take to increase use of chartering options. The Subcommittee fully endorses the findings and recommendations of this report. . . . We are disappointed that a number of these recommendations have apparently not been acted on.**" (U.S. Department of Commerce, *Initial Report of the Fleet Modernization Subcommittee to the Department of Commerce Oceanic and Atmospheric Management Advisory Committee on the NOAA Fleet Replacement and Modernization Plan*, March 1992, p. 10)

- ◆ "Considerable expertise in charting and surveying also exists in the private sector, and aspects of nautical charting surveys can and should be conducted under contract or cooperative efforts." (National Research Council, *Review of NOAA's Fleet Replacement and Modernization Plan*, April 1994, p. 22)
- ◆ "In terms of vessel requirements, there are few examples where there is a unique mission that can be fulfilled only by NOAA ships. Ships from the University-National Oceanographic Laboratory System (UNOLS), various regional consortia of inshore operators (e.g., the Southern Association of Marine Laboratories and similar associations in other regions), and commercial operators can provide many of the DAS required for NOAA's oceanographic and environmental research. Partnerships for data acquisition or operations with federal and state agencies, academic institutions, and the commercial sector represent other means of implementing NOAA's missions." (National Research Council, *Review of NOAA's Fleet Replacement and Modernization Plan*, April 1994, p. 26)
- ◆ "The private sector can provide some of the vessel time required for charting and surveying, as well as that time needed for many routine surveys of living marine resources. Also, commercial vessels would appear to be appropriate in the case of marine mammal surveys. The utilization of NOAA vessels and crew for this activity may be an inefficient use of resources. Commercial fishing vessels can be obtained through charter arrangements that are cost effective and flexible. It is important to note that commercial vessels are often the preferred operating platforms for bottom trawl and longline surveys since they allow multivessel coverage of extensive survey areas over a short field season. Vessel standardization presents serious problems when using several vessels for trawl surveys, but these could be minimized by employing longer-term (7- to 14-year) charter arrangements and improved statistical controls." (National Research Council, *Review of NOAA's Fleet Replacement and Modernization Plan*, April 1994, p. 27)

- ◆ “Echoing the statements made by private sector charting and mapping interests, NOAA’s Deputy Director of the Coast and Geodetic Survey stated that contractors currently are capable of performing the type of charting and mapping work that NOAA performs. . . . He pointed out that NOS has identified a backlog of 46,000 square miles of critical survey areas needing to be charted and mapped and that, given the condition of NOAA’s fleet and the time needed to build new ships, a cost-effective and timely way to start reducing the backlog is to rely on the private sector.” (U.S. General Accounting Office, *NOAA Needs to Consider Alternatives to the Acquisition of New Vessels*, August 1994, p. 11)

It is evident from the above citations that the studies present numerous examples of the cost-effectiveness of using non-NOAA vessels. For at least a decade before the OIG conducted its in-depth study, there was significant and sufficient evidence for choosing outsourcing alternatives over inhouse operations. It is difficult to understand how the NOAA Corps can still be insisting that “None of the reports . . . conclude NOAA Ships are more costly than private or university vessels.”

With regard to the degree of outsourcing that NOAA should be pursuing, it is clear from the studies that the evaluators found reasons to pursue outsourcing in *all* missions (oceanography, hydrography, and fisheries) and for *all* types of ships.

One of the main goals of the OIG’s 1996 fleet study was to encompass these previous studies by looking at all types of ship-related missions, rather than attempting to evaluate a single ship or a single mission. The conclusions and recommendations in our study confirm the observations made by the previous evaluators:

OIG: “The University-National Oceanographic Laboratory System can accommodate NOAA’s oceanographic research requirements as early as January 1997, but NOAA needs to reserve ship time when UNOLS’ scheduling committee meets during the summer of 1996.”

For example, see: (1) U.S. Department of Commerce, *Second Report on the NOAA Fleet Replacement and Modernization Plan by the Fleet Modernization Subcommittee of the Department of Commerce Oceanic and Atmospheric Management Advisory Committee*, October 1992; and (2) National Research Council, *Review of NOAA’s Fleet Replacement and Modernization Plan*, April 1994.

OIG: “Private contractors can begin accommodating NOAA’s hydrographic needs as soon as contracts are awarded.”

For example, see: (1) National Research Council, *Strategies for Obtaining Ship Services: Alternatives for NOAA*, 1988; (2) U.S. Department of Commerce, *Initial Report of the Fleet Modernization Subcommittee to the Department of Commerce*

Oceanic and Atmospheric Management Advisory Committee on the NOAA Fleet Replacement and Modernization Plan, March 1992; and (3) U.S. General Accounting Office, *NOAA Needs to Consider Alternatives to the Acquisition of New Vessels*, August 1994.

OIG: "Private vessel owners can accommodate most of NOAA's fishery research requirements through the use of short-term charters and long-term contracts. For NOAA's more specialized research needs, NOAA should consider contracting through the Military Sealift Command for long-term leases or build-to-lease arrangements. If NOAA must retain the use of any current fishery vessels (such as the *Delaware II*), these ships should be operated by a contractor or academic institution."

For example, see: (1) U.S. General Accounting Office, *Deactivating Research Vessels: National Oceanic and Atmospheric Administration's Use of Private Ships*, June 1986; and (2) National Research Council, *Review of NOAA's Fleet Replacement and Modernization Plan*, April 1994.

The earlier reports made valuable contributions to the general knowledge of ship operations and outsourcing options, but were disadvantaged by inaccurate and incomplete cost data for NOAA operations. If these earlier reports had been able to access complete inhouse cost information, undoubtedly their conclusions and recommendations would have been even stronger than the passages cited above.

We believe that cost-effective alternatives are available for all of NOAA's ship-related missions. If this position had been accepted by NOAA a decade ago, a gradual and rather painless transition from an inhouse fleet to the outsourcing options could have taken place.

If you would like to discuss any of these issues in more detail, please give me a call on 202-482-1934.

cc: John J. Carey, Associate Deputy Under Secretary for Oceans and Atmosphere



UNITED STATES DEPARTMENT OF COMMERCE
National Oceanic and Atmospheric Administration
CHIEF FINANCIAL OFFICER/CHIEF ADMINISTRATIVE OFFICER

SEP 30 1997

MEMORANDUM FOR: Frank DeGeorge
Inspector General

FROM: Joseph T. Kammerer *J. Kammerer*
Chief Financial Officer/
Chief Administrative Officer

SUBJECT: Draft Inspection Report: The NOAA Corps Transition Should
Convert No More Than 170 Officers (ENT-9087)

Thank you for the opportunity to review and comment on the subject draft inspection report. NOAA strongly disagrees with the conclusion drawn in the report that the NOAA Corps transition should result in the establishment of no more than 170 civilian positions.

NOAA Corps officers have historically filled critical scientific, technical, and engineering positions throughout the agency. These positions provide essential support to NOAA programs in meeting and discharging our statutory responsibilities. The need for these scientific, technical, and engineering positions exists independent of the NOAA Corps and will continue to exist long after the dissolution of the Corps.

In developing the NOAA Corps Transition Plan, line office managers carefully reviewed their programmatic requirements for civilian positions post-NOAA Corps. 299 civilian positions were identified as essential to support ongoing programs in NOAA line and program offices, including maintaining data collection continuity from NOAA ships and aircraft. The 299 positions are within our approved OMB streamlining target.

NOAA takes exception to the report's recommendation that data acquisition funds should not be used to support positions in NOAA line and program offices. Not only have these positions been funded out of data acquisition or marine services funds in the past, they are predominately involved in the processing, analysis and utilization of data collected by NOAA ships and aircraft. We believe this is an appropriate use of these funds. This does not, nor does the NOAA Corps Transition Plan, contemplate any reduction in the current level of ship and aircraft data collection activities.

We find no programmatic analysis in the report to support the conclusion that only 170 civilian positions are required post-NOAA Corps. The only basis this number appears to have is its relationship to the estimated number of Corps officers eligible for conversion.



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It fails to address the functions and activities currently being carried out in the agency and the requirement to continue those activities with or without the NOAA Corps.

Our response to specific findings and recommendations is attached. If you wish, I would be glad to meet with you to discuss the report and our comments.

Attachment

NOAA Comments on OIG Draft Report: ENT-9087

OIG Finding #1: The NOAA Corps Transition Staffing Plan Should Convert No More Than 170 Officers to Permanent Civil Service Positions.

NOAA Response: NOAA disagrees with this finding. NOAA's transition plan proposes to fill 299 critical positions with Civil Service employees after disestablishment of the Corps. Of the 299 positions, 170 would be offered to present Corps officers not eligible for retirement and the remaining 129 would be filled by open competition from all typical applicant sources, including retired NOAA Corps officers.

In developing the transition plan NOAA program managers reviewed their mission requirements and identified the most essential positions. These 299 positions are critical to support programs in NOAA line, staff and program offices and for data collection aboard ships and aircraft.

There is no analysis provided in the report to support a conclusion that only 170 positions will allow NOAA to meet its mission requirements. Congressional guidance associated with the elimination of the marine services line item requires NOAA to examine outsourcing alternatives, not to immediately convert to outsourcing without considering efficiency, effectiveness, and availability. To date, NOAA generally has not found that, where the private sector has the capability to meet NOAA's unique program needs, the costs for these services are the same or lower than the costs associated with the costs of using in-house personnel. Reducing the number of positions as recommended by the OIG would likely result in increased costs or leave NOAA unable to perform essential mission activities.

Recommendation 1: The Under Secretary for Oceans and Atmosphere should limit the number of positions converted for the NOAA Corps Transition Plan to no more than 170 permanent civil service positions.

a. No more than 100 positions should be for line organization activities not directly related to ship and aircraft operations, and no ship-related appropriations should be used to pay for line office positions.

b. No more than 70 positions should be for ship and aircraft support.

NOAA Response to Recommendation 1a: NOAA does not agree with this recommendation. As stated above, the positions identified in the transition plan are critical to the success of NOAA programs. Of the 299 positions in the transition plan, 187 are located in NOAA's line, staff and program offices. These positions will be required in the future regardless. As stated in the draft report, data acquisition funds (formerly marine services funds) have historically been used to support line office positions. This use of data acquisition funds is an outgrowth of the

NOAA Comments on OIG Draft Report: ENT-9087

responsibilities assigned to line offices to continue the processing and analyses of data by NOAA programs, e.g., nautical charting, which rely heavily on ship and aircraft operations. This approach also used the flexibility of the commissioned personnel system to meet changing line office data management needs and is consistent with the message accompanying the Reorganization Plan that created the Environmental Sciences Services Administration (ESSA), which became NOAA. The message anticipated that Officers would be used throughout the newly formed agency.

NOAA Response to Recommendation 1b: NOAA does not agree with this recommendation. There is no analysis provided in the report to support this position. The OIG recommendation to limit to 70 the number of positions for operating ships and aircraft is based on an incorrect premise: that private-sector ships and aircraft can carry out NOAA's routine operational missions and reimbursable missions at a lower overall cost than could be performed by NOAA civilian employees. NOAA has not found data which supports the OIG premise. Reducing the number of positions as suggested by the OIG would likely result in increased expenses or leave NOAA unable to perform essential mission requirements. Of the 299 positions in the transition plan, 110 are currently necessary to provide safe and efficient operational ship and aircraft support to NOAA programs. NOAA still intends to pursue outsourcing opportunities where they are available to meet mission requirements in a cost-effective manner. The number of positions required in the future would be determined based on the results of these outsourcing efforts.

OIG Finding #2: The Number of Officer Conversions within NOAA's Line Offices Should Be Limited to 100 Positions.

NOAA Response: NOAA does not agree with this finding. The draft report incorrectly states on page ii (paragraph 3) and page 12 (paragraph 3) that, "Over the years, in order to accommodate the rotation policy of the Corps, officer positions have been created in NOAA's five line organizations . . ." This statement is based on a lack of analysis. The rotation policy is consistent with the message accompanying the Reorganization Plan that created the Environmental Sciences Services Administration (ESSA), which became NOAA. The message anticipated that Officers would be used throughout the newly formed agency. In 1980, the Administrator of NOAA issued a directive, reinforcing that language, to integrate officers into the scientific and technical management and administrative programs of NOAA. A similar statement was issued by the Administrator in 1992. The rotation of Corps officers is a result of these directives, not an independent rotation policy of the Corps.

The draft report also states on page iii, paragraph 3 that, "As recently as October 1991, when the NOAA Corps consisted of approximately 400 officers, there were only 161 line office positions. However, NOAA has now identified approximately 187 line office positions for possible

NOAA Comments on OIG Draft Report: ENT-9087

conversion from uniformed to civil service positions, even though fewer than 300 officers are in the Corps." The 187 line office positions, represent the number of essential civilian positions required to meet NOAA program needs and includes positions previously assigned directly to the Office of NOAA Corps Operations (e.g. 20 of these positions are associated with ship-board hydrographic surveys that would be assigned directly to the National Ocean Service upon disestablishment.)

Recommendation 2: Incorporate the following steps into the process of converting the 170 non-retiring officers into permanent civil service positions:

- a. Prioritize the proposed converted positions in each line organization and activity according to program-related, mission-essential criteria.**
- b. Determine the most essential 100 line organization positions.**
- c. Determine the most essential 70 positions for ship-related and aircraft-related support.**
- d. Determine a means of continuing essential services and activities until all of the 170 positions can be filled with qualified non-retiring officers. This can include temporarily rehiring retired officers.**

NOAA Response: NOAA disagrees with these recommendations. They are associated with implementing recommendation #1, which NOAA also does not agree with, for the reasons stated above. As the NOAA Corps Transition Plan has been developed, NOAA has already addressed many of these concerns. The process of identifying the 299 most essential positions from the 400 previously occupied by NOAA Corps Officers, has utilized program-related, mission essential criteria to identify the most essential positions in the Line Offices, as well as the ship and aircraft related positions. Concerns regarding the continuation of essential services and activities will be addressed as part of the implementation of the Administration's legislative proposal upon enactment.

OIG Finding #3: The Number of Officer Conversions for Ship-Related and Aircraft-Related Activities Should Not Exceed 70 Positions.

NOAA Response: NOAA does not agree with this finding. NOAA disagreed with the March 1996 OIG report finding that private sector and academic vessels are available to meet all of NOAA's needs, and that those outsourcing options would be more cost effective. NOAA has not found any data that would change its position established in response to that report. Where the private sector has the capability, NOAA has not found outsourcing to be less costly than utilizing in-house personnel. The OIG has not provided to NOAA data to support the position that

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outsourcing is more cost effective, nor does the report provide analysis to support this assertion. Since NOAA has not seen the OIG draft report on the aircraft services audit, we cannot comment on the OIG suggestion that outsourcing for aircraft appears to be more cost effective. However, as noted previously, 70 positions for ship and aircraft support are insufficient to meet current or projected needs.

On page 17, paragraph 3, the draft report misses an important point in the reason for the reduced number of officers assigned to ships and aircraft. Since 1994, the Office of NOAA Corps Operations has identified several actions for improving efficiency and cutting costs and many of these actions have been implemented. NOAA has removed its older inefficient deep-water research ships from service and replaced them with a combination of more efficient ships and expanded use of the UNOLS fleet. NOAA has evaluated fisheries charters and continues to do so, although NOAA has not found fishery vessels capable of meeting our unique program needs available at less cost than NOAA's costs. NOAA has also taken two hydrographic vessels out of service and is expanding the use of contracting for hydrographic data. However, NOAA's experience to date also suggests that while contracting for hydrographic surveys will expand the capacity for such work, it may not result in cost savings.

Recommendation 3: To confirm that ship-related appropriations are used exclusively to support marine programs, provide our office with accounting information that will show all officers and former officers (title, organization, salary) funded by ship-related appropriations during the current fiscal year and after the transition.

NOAA Response: NOAA will provide the OIG the information requested on officers by title, organization, and salary, who are funded by ship-related appropriations during FY 1998. NOAA will also provide similar information for all former officers being salaried under ship-related appropriations after disestablishment.

With the exception of one retired officer, hired as a civil service employee over five years ago and currently working in ship instrumentation, no former officers are currently funded by ship-related appropriations. NOAA will notify the OIG should any additional former officers be employed using ship-related appropriations between now and the disestablishment date.

NOAA Comments on OIG Draft Report: ENT-9087

The following comments pertain to specific statements or sections in the draft report:

Page i, paragraph 5: Draft report statements: "... the proposed last step will result in filling almost all of the 299 positions and locking into place the present organizational infrastructure. This approach would be inconsistent with recent Congressional direction related to outsourcing for ship-support services." These statements are misleading. Of the 299 positions NOAA determined were required in the transition plan, only 71 are identified for ship support. There is nothing in the transition plan which states or implies that the current organization infrastructure is "locked in"; in fact the plan implies just the opposite. This is evidenced by recent NOAA actions, including reducing the number of officers from 400 to less than 300 and taking several ships out of service and modifying and downsizing the ship support organizational structure. Organizational structures can be changed at any time using normal Government procedures. Also, Congressional direction has been to examine outsourcing alternatives, not to immediately convert to outsourcing without considering efficiency, effectiveness, and availability. An immediate deactivation of NOAA ships would have catastrophic results on the continuity of data collection activities critical to accomplishment of NOAA's mission.

Page ii, paragraph 4: This paragraph is also misleading. Marine services appropriations have historically been used to pay officers assigned to line offices. This is an outgrowth of the responsibilities of officers assigned to line offices to continue the processing, analyses and utilization of data by NOAA programs, e.g., nautical charting, which rely heavily on ships and aircraft. This approach is in keeping with the message accompanying the Reorganization Plan that created the Environmental Sciences Services Administration (ESSA), which became NOAA. The message anticipated that Officers would be used throughout the newly formed agency.

Page 5, Paragraph 2: The report statement, "... previous studies have significantly underestimated the savings with eliminating the Corps" is incorrect in that it is selective in the information used. Previous studies by Arthur Andersen & Co. and the GAO did not address eliminating the Corps, but focused on comparing operating costs for Corps Officers with civilian employees. Therefore we suggest the sentence be revised to read: "In other words, previous studies did not specifically address the issue of disestablishment, and therefore, have underestimated the savings associated with eliminating the Corps."

Page 9, Paragraph 2: The report states, "If the less-critical positions are filled with the 170 non-retiring officers and the 120 retired officers are rehired for the "additional positions, as determined by the Under Secretary to be necessary", NOAA will lock into place the current organizational structure, and no increased efficiencies will be achieved." This statement is misleading and misstates the process that NOAA will use to fill the positions. The transition plan does not propose filling the 299 positions from 170 non-retiring officers and 129 retired officers. The transition plan would offer positions to 170 officers not eligible for retirement. It is unlikely that

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all 170 officers would accept these positions. The transition plan would fill the remaining 129 positions by open competition like any other civilian vacancy. Filling the 299 positions proposed in the transition plan would not "lock into place the current organization structure." In fact, post-NOAA Corps, NOAA anticipates a realignment and redistribution of the functions of the Office of NOAA Corps Operations.

Page 11, paragraph 1: The statement that "placing almost 300 former officers in civil service positions will result in diverting funds from ship-related appropriations and reduce NOAA's incentive for exploring outsourcing alternatives for ship and aircraft support" incorrectly states NOAA's intentions. The transition plan would not place 299 former officers in civil service positions. The plan would offer the opportunity for 170 officers not eligible to retire to be placed in 170 of the proposed 299 positions if the officers chose this option. The remaining 129 positions would be filled by open competition from all typical applicant sources, not just retired NOAA Corps officers. Implementation of the transition plan would not divert funds from ship related activities; funds available for data collection would be unaffected by the Disestablishment Plan. The plan would also not reduce NOAA's incentive for exploring outsourcing alternatives, in fact, it anticipates that NOAA program offices will reinvent, over time, the way in which their essential observation, data collection and research functions are performed.

Page 11, paragraph 2: Funds To Be Put To Better Use: The report states that "Funds to Be Put to Better Use" is \$8.3 million annually as shown (table, page 10) -- if no more than 170 officers are converted to permanent civil service positions. It goes on to say, "Over the next two fiscal years, NOAA will have \$16.6 million available to acquire additional ship and aircraft support."

The savings identified here are illusory - the cost to the economy and the environment (in terms of lost data and services) or to NOAA (through expenditures for more-expensive outsourcing) will exceed the \$8.3 million in annual savings for salaries. Line office managers were involved in developing the disestablishment plan and were aware that marine services funds were being used to support the processing, analysis, and utilization of data in the line offices. Recognizing that this would not divert funds from the present level used for essential acquisition of data, line office managers chose to place a higher priority on the funding of these positions than increasing the funds for acquisition of data.

Page 14, paragraph 2: Marine services appropriations have historically been used to pay officers assigned to line offices. This is an outgrowth of the responsibilities of officers assigned to line offices to continue the processing, analyses and utilization of data by NOAA programs e.g., nautical charting, which rely heavily on ships and aircraft. This approach also used the flexibility of the commissioned personnel system to meet changing line office data management needs and is consistent with the message accompanying the Reorganization Plan that created the Environmental Sciences Services Administration (ESSA), which became NOAA. The message anticipated that Officers would be used throughout the newly formed agency.

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Page 16, paragraph 3: NOAA did not concur with many of the OIG's conclusions in their 1996 report on fleet (ship) operations. Before the 1996 report, NOAA had already begun implementing several actions to improve efficiency and effectiveness which the OIG included as recommendations in the 1996 report. NOAA had planned to remove its older inefficient deep-water research ships from service and replace them with a combination of more efficient ships and expanded use of the UNOLS fleet. That action has now been accomplished. NOAA was evaluating fisheries charters and continues to do so. NOAA has not found fishery vessels capable of meeting our unique program needs for full-time dedicated vessels available. NOAA continues to examine the most cost-effective methods (including owning, leasing, and chartering) to obtain vessel services required to maintain NOAA's ability to perform its mission functions. NOAA had already taken two hydrographic vessels out of service and was expanding the use of contracting for hydrographic data. NOAA's experience to date indicates that with competent Government oversight, requiring that some in-house capability be retained, NOAA will obtain satisfactory nautical charting hydrographic data collection services from contractors. NOAA's experience also suggests that while contracting for hydrographic surveys will expand the capacity for such work, it may not result in cost savings.